

**Statement of Michael R. Dumas
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**Before the
Coast Guard and Maritime Transportation Subcommittee
of the
Transportation and Infrastructure Committee
United States House of Representatives**

STATUS OF U.S.-FLAGGED VESSELS IN U.S. FOREIGN TRADE

July 20, 2010

Mr. Chairman and Members of the Subcommittee:

I am Mike Dumas, Vice President and Chief Financial Officer of Intermarine, L.L.C. (Intermarine). I am particularly pleased to have been invited to appear before you today to address the important role of U.S.-flag shipping in support of our country's economic and national security.

Intermarine is a U.S.-owned and U.S.-operated company headquartered in New Orleans, Louisiana, and celebrating its 20th year in the ocean transportation industry. We are proud to be a "Section 2" citizen company owned and controlled by U.S. citizens. With other offices in Houston, South America, Asia and Europe, Intermarine specializes in the ocean transportation of breakbulk and project cargo. Utilizing shallow draft vessels with heavylift capability, Intermarine is able to serve clients – civilian and military – in this specialized, often complex, trade. Our vessels are crewed by the Seafarers International Union (SIU) and American Maritime Officers (AMO). We are indeed proud of the dedication that these U.S.-citizen merchant mariners provide to our vessels, and are grateful to them for their support. In fact, Intermarine's entry into the U.S.-flag trade was strongly encouraged by our labor partners, and we remain committed to working with maritime labor as we grow our U.S.-flag fleet.

In early 2002, the OCEAN ATLAS, an 8,000 deadweight ton multipurpose heavylift vessel, became the first Intermarine vessel to fly the U.S. flag. Three years later, a sistership – the OCEAN TITAN -- joined the Intermarine U.S.-flag fleet. These two vessels are the only heavylift vessels enrolled in the Maritime Security Program (MSP) and the Voluntary Intermodal Sealift Agreement (VISA) program. Anticipating an increase in U.S. export cargo, including cargo financed by the Export-Import Bank (Ex-Im Bank) and a U.S.-flag vessel shortage, Intermarine registered a third sistership, the OCEAN CHARGER, under the U.S.-flag in August 2009. Intermarine's decision to add the OCEAN CHARGER to its U.S.-flag fleet to meet the increasing cargo demand has proven to be prescient, as evidenced by the vessel capacity shortages that you identified in your Subcommittee hearing of March 16, 2010. Our

commitment to supporting the U.S.-flag fleet continues – we are currently in the late stages of adding a fourth heavy-lift vessel, the OCEAN CRESCENT, into the U.S.-flag registry.

Our U.S.-flag vessels routinely call ports from Baltimore to Long Beach and points beyond, providing a consistent source of income for stevedores, cargo handlers, agents and other ancillary product and service providers. When on the Gulf Coast, our vessels typically load and discharge at Industrial Terminals on the Houston Ship Channel, one of the largest, private project and breakbulk terminals in the U.S., and owned by an Intermarine affiliate company. Altogether, Intermarine provides good, well-paying jobs for hundreds of workers in the United States, and it is our fervent hope that we continue to do so for years to come.

Our U.S.-flag vessels carry both civilian and military cargo in the international trade of the United States. We routinely carry government cargo under the following programs:

- Cargo Preference Act of 1954.
- Public Resolution 17 (P.R. 17).
- Military Cargo Preference Act of 1904.

These maritime cargo preference programs are administered by the Maritime Administration (MarAd). Intermarine has been, and remains, committed to working with MarAd, Ex-Im Bank, the Department of Defense (DoD), and other constituents and cargo interests to facilitate the carriage of cargo aboard its U.S.-flagged vessels.

Mr. Chairman, the shipping industry, as you well know, has not been spared its considerable share of pain in this worldwide economic crisis, and the challenges are even more acute for U.S.-flag carriers. Industry freight rates have plummeted, jobs have been lost, and U.S.-flag carriers are increasingly hard-pressed to compete with their non-U.S.-flag counterparts, many of whom are heavily subsidized, directly and indirectly, by foreign governments. U.S.-flag carriers, such as Intermarine and other “Section 2” carriers, struggle to compete with foreign carriers from the Far East to Europe and beyond, who operate under a different set of rules, enjoy cost-of-capital advantages, lower operating costs, and are largely unconstrained by regulatory limitations imposed by U.S. law. The playing field, Mr. Chairman, is decidedly uneven.

In order to address these inequities, we respectfully submit that the following steps should be taken to ensure that U.S.-flag carriers are afforded the opportunity to compete fairly in the international shipping market:

Ensure Full Funding and Reauthorization of the MSP. The Maritime Security Act of 2003 (MSA 2003) reauthorized the MSP program through Fiscal Year 2015. Annual funding under MSA 2003 for the MSP program in Fiscal Years 2009-2011 is set at \$174 million, increasing to \$186 million for Fiscal Years 2012-2015. The MSP program is vital to the continuing viability of the U.S.-flag fleet, and must be fully funded and reauthorized. To more fully support U.S. exports and the U.S.-flag fleet, we would encourage consideration of an MSP program reasonably modified to provide for (1) priority participation by “Section 2” citizens, (2) a more appropriate mixture of vessel types participating in the program, and (3) extended contract periods to provide enhanced

business stability for MSP participants. We would encourage, too, full funding of other maritime and export programs to nurture and promote U.S.-flag shipping.

Protect and Vigorously Enforce Cargo Preference Laws. Cargo preference laws are necessary for the continuing viability of the U.S. merchant marine and are critical to our national security interests. Congress must protect, and MarAd must vigorously enforce, cargo preference laws as written, and work closely with all constituents – U.S.-flag carriers, the Ex-Im Bank and shippers alike – to ensure that cargo preference is the rule, not the exception. Consistent enforcement of cargo preference laws is critical for U.S.-flag carriers who commit substantial capital, equity and debt into U.S.-flag operations. U.S.-flag carriers, and the banks and investors who support them, rely upon the fair and consistent application of cargo preference laws when making these substantial investments. Consistent application of cargo preference laws provides stability to the marketplace and encourages further investment. In short, it is good for business.

Inconsistency in the application and enforcement of cargo preference laws is neither infrequent nor uncommon. A very real and recent example is a determination by the Department of Energy that the cargo preference laws do not apply to its Loan Guarantee Program authorized under the Energy Policy Act of 2005. The U.S.-flag maritime industry has raised strong objections concerning this matter with MarAd, and will work closely with you and your Committee to ensure that the DOE determination is quickly corrected.

We hasten to add that our experience working with MarAd, the Ex-Im Bank, and shippers alike in the carriage of U.S.-flag cargo has been generally positive, and we are excited about the prospect of working with them more closely to support U.S. exports and create U.S. jobs.

Support the Role of U.S.-Flag Carriers in the National Export Initiative. In March 2010, President Obama delivered the keynote address at Ex-Im Bank's 2010 Annual Conference during which he outlined the Administration's plan for doubling U.S. exports within the next five years through the National Export Initiative. In his remarks to the Conference, President Obama stated:

“We remain the number one exporter of goods and services in the world. So we've got a terrific foundation to build on. But we can't be satisfied with number one right now. We shouldn't assume that our leadership is guaranteed. When other markets are growing, and other nations are competing, we've got to get even better. We need to secure our companies a level playing field. We need to guarantee American workers a fair shake. In other words, we need to up our game.”

Mr. Chairman, we respectfully submit that U.S.-flag carriers, in particular “Section 2” companies, and their U.S. mariners and other employees, must be provided a meaningful opportunity to participate in the National Export Initiative. We note with regret that neither the U.S. Department of Transportation nor any of its modal agencies were

included in the membership of the Export Promotion Cabinet (EPC) established by the President to develop and coordinate the National Export Initiative. It is our hope that such representation will be added to the EPC to ensure the proper inclusion of the transportation sector that is vital to the development of U.S. export initiatives. We all want to continue to create jobs, and the jobs of U.S. merchant mariners are no less sacred than those of U.S. factory workers. The level playing field promised by the President to U.S. companies should be extended to U.S.-owned, U.S.-operated, U.S.-flag shipping companies.

Promote an Active and Effective Public-Private Partnership among U.S.-Flag Shipping Constituents. In his remarks to the Conference, President Obama also lauded Ex-Im Bank's vital role in making available record capital to drive U.S. exports during the financial crisis. As carriers of P.R. 17 cargo, we have witnessed a sharp increase in the volume of Ex-Im Bank financing over the last year, through both direct loans and guarantees, and have worked closely with the Ex-Im Bank and MarAd in carrying such cargo. We are grateful for the work being done by Ex-Im Bank and the opportunities it provides, and view our relationship as a shared endeavor. As U.S.-flag carriers like Intermarine rise to meet the challenge of supporting U.S. exports, we hope that Ex-Im Bank receives the support it needs to handle the influx of funding applications. By working closely together, U.S.-flag carriers, Ex-Im Bank, MarAd and other U.S.-flag constituents can effectively support the National Export Initiative, promote U.S. exports abroad and create U.S. jobs at home.

President Obama appropriately emphasized the value of collaboration when he called for the creation of "public-private partnerships to help firms break into new markets with the help of those who have been there – shipping and supply chain companies...". Whether breaking into new markets or shoring up old ones, the President's endorsement of public-private partnerships is strongly endorsed by Intermarine, especially as it would enhance and promote the role of U.S.-flag carriers in the National Export Initiative.

Leverage the Strengths of U.S.-Flag Carriers in Support of DoD and TRANSCOM. Intermarine has long supported the missions of DoD and the U.S. Transportation Command (TRANSCOM). Whether carrying Coast Guard cutters to the Persian Gulf or tanks and Humvees back to the United States, our shallow draft heavylift vessels are uniquely qualified to provide vital support to our fighting men and women around the globe. Perhaps no better example of the vital role our vessels can play in support of national security occurred in 2004, when the OCEAN ATLAS was urgently tasked by the Department of State to divert to Tripoli, Libya, the first American vessel to call on that country in many, many years. There, the vessel was loaded with sensitive cargo which was then safely and securely transported to the U.S. This mission remains a highlight of our company's history, and is a forceful reminder of the importance of having a "Section 2" U.S.-flag fleet.

On behalf of Intermarine, I thank you, Mr. Chairman and the entire Subcommittee, for the opportunity to testify before you today. We look forward to working with you and with all U.S.-flag constituents – public and private, labor and business, civilian and military – to

strengthen the U.S.-flag presence at home and abroad, to support the creation of U.S. jobs through exports, and to continue to provide this country with a viable U.S.-flag presence on the oceans of the world.

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